Exhibit 3

Smart Insurance Company

Signing of Definitive Transaction Documents

Investment Committee Update Memo

November 2, 2012

Exhibit 3
Wit: Leary
Date 7-7-16
S. Flagg, RPR, CLR

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APPENDICES

Medicare Part D Opportunity – Update Memo 2012-11-02

To: Investment Committee
From: MP, AX
Re: Update on SmartD Rx investment
Date: 2012-11-02

The purpose of this memorandum is to (i) provide the Investment Committee with an update on the launch of SmartD Rx, (ii) request approval to sign definitive transaction documents with Walgreens and related parties, and (iii) approve the commitment to fund the SmartD Rx 2013 operating budget (and related funding commitments as described below.

I. INTRODUCTION

We have reached agreement with Walgreen's on final versions of the definitive agreements related to their 51% purchase of SmartD Rx. Subject to receiving Investment Committee approval, we plan to execute these agreements next week. Walgreens has a senior management offsite the week after next, and the Gregg Wasson, CEO of Walgreens, wants Jeff Kang to make a presentation on SmartD at the meetings and he would like to be able to tell people that the deal is "done."

The signing of these agreements commit Reservoir (through a special purpose entity) and Walgreen's (through a special purpose entity) to fund SmartD's 2013 budget and additional amounts in certain circumstances as described below.

We believe that the total funding through the end of 2013 will be approximately $37.7mm-$62.5mm, depending on the level of receivables financing we obtain[1] and based on our current base case projections, of which Reservoir would be funding ~$13.4-22.3mm (~$17.0-28.2mm on look-through basis). The above is inclusive of ~$2.5mm that Reservoir has already funded (see below for details).

Capital Funding thru Dec 2013	Total SmartD	Reservoir Only	Reservor Lookthru	Reservor & Affiliates
Capital Funded To-Date	(7.0)	(2.5)	(3.2)	(3.4)
Addn'l Startup Cost thru Dec 2012	(7.5)	(2.7)	(3.4)	(3.7)
Purchase of SIC from Prosperity	(8.3)	(3.0)	(3.8)	(4.1)
Subtotal	**(22.8)**	**(8.1)**	**(10.3)**	**(11.2)**
Capital Req'd for 2013 Business	(14.9)	(5.3)	(6.7)	(7.3)
Subtotal	**(37.7)**	**(13.4)**	**(17.0)**	**(18.5)**
Working Capital Req'd if No Financing	(24.9)	(8.9)	(11.2)	(12.2)
Total	**(62.5)**	**(22.3)**	**(28.2)**	**(30.6)**

Due to the challenges experienced so far during the 2013 launch, we have significantly reduced our projected total enrollments for 2012/2013 to 115,000 members from 400,000 members in our most recently circulated model at the end of September, including 2012 open enrollment and 2013 "age-ins".

[1] $37.7mm assumes no receivables financing and all working capital equity funded. $62.5mm assumes receivables facility at 75% LTV

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The critical impact of this significantly lower enrollment is that we now project an EBIT loss of ~($5.8mm) in 2013, due to not achieving scale. Given the significant "lessons learned" from this year and Walgreens' commitment to fix these issues in 2014, we expect that the 2014 enrollment period will go better than 2013. However, we are only modestly increasing our annual enrollment assumptions in 2013/2014 and beyond to 150,000 (see details below).

Despite these significantly reduced enrollment assumptions and the loss projected for 2013, we are still projecting base case returns of ~18-20% (depending on level of receivables financing) and ~1.6x multiple of investment. This is due to the put feature in our agreement with Walgreens, which allows Reservoir to put our 49% ownership position to Walgreens at a company valuation equal to the sum of (i) the excess capital in the insurance company (we are estimating ~83% of required surplus plus 100% non-required surplus) plus (ii) the greater of (a) $150 per member and (b) 7x trailing EBIT. We believe that it is unlikely that we end up with lower total enrollments by the time of our first put exercise date than what we are assuming in our revised projections.

II. RECENT SIGNIFICANT DEVELOPMENTS

Beginning of Annual Enrollment Period & Current Enrollment Trends

On October 1, the 2013 Medicare marketing period began, we launched the SmartD Rx public website and pharmacies and agents started receiving marketing materials.

Starting October 15, SmartD began enrolling members through a variety of means (Medicare.gov, telephone, fax, mail, and online through our website). The annual enrollment period (AEP) lasts from October 15 – December 7, and allows all Medicare members during this period to switch plans for the upcoming plan year.

So far, the rate of voluntary enrollments (i.e., non-CMS auto-assigns) in SmartD Rx has been much slower than anticipated driven by a variety of factors. The four key factors are:

1) Despite being below the low-income benchmark in most regions, the SmartD Rx plan is often not as competitive as the most competitive plans offered by Coventry, CVS, Humana or UnitedHealth, although there are regional variations to this.

    a. As an example, using Medicare Plan Finder with the default basket of drugs, SmartD Rx shows up on average as the 5th or 6th ranked plan based on estimated total annual out-of-pocket spend by a member.

2) There have been significant issues getting AmeriLife agents recruited, appointed and staffed at preferred network pharmacies during the beginning of AEP. We have taken a number of actions to fix this and expect more agent-driven sales over the remaining weeks.

3) Walgreens has made a number of poor decisions during the launch of SmartD. Upon learning from Pritpal in a meeting last week that SmartD was not receiving more support from Walgreens, their CEO committed to Pritpal to increase the support of SmartD this year and to re-evaluate how to improve the relationship for next year. We believe that the key missteps which should be resolved next year include:

    a. Walgreens not treating SmartD as its private-label brand
    b. Multiple in-store agents
    c. Significant in-store presence with other Part D plans
    d. Not enough in-store marketing support for SmartD

4) The start of AEP is seasonally slow with low Medicare-related foot traffic reported at Walgreens pharmacies. We believe that most Medicare enrollments occur toward the end of AEP (especially after mid-November) and we are expecting a typical uptick in enrollments over the remaining weeks.

Given the above datapoints on current enrollment rates, we have reduced our assumed base case voluntary enrollments during this AEP to 30,000 new members for this year and 50,000 for all future years.

Low Income Auto-Assignments

Last week, CMS notified us that we received 33,000 auto-assignments of low-income members. These are members of plans that were below the low-income benchmark last year but are above the benchmark this year.

This auto-assignment figure is much lower than our expectation of 60,000+ previously developed in conjunction with Milliman. This was partly because we the regions where we did not fall below the benchmark happened to be the regions with the most number of disrupted members this year. We expect to receive some additional monthly auto-assigned enrollments in December effective Jan 1. However, CMS also sent out a notification on Nov. 1 that it made computational errors with some auto-assignments that may result in reductions to all plan sponsors. We don't know the extent of the reduction but based on the description of the error, we do not expect a meaningful reduction.

For now, we are running our revised base case using the 35,000 auto-assigns. We are also estimating an additional 50,000 members enrolling in our plan during the course of 2012, primarily from additional monthly assignment of low-income members. Combined, we are now projecting 115,000 total gross new members in 2012/2013 and 150,000 in future years.

Working Capital & Receivable Financing Needs

Due to the reduction in our base case enrollment assumptions, driven primarily by a decline in voluntary enrollments, our mix of low-income vs. non-low-income members have changed significantly compared to our original bid to CMS. As a result of the higher "low-income percentage", and because low-income members utilize significantly more federal reinsurance, the estimated monthly federal reinsurance payments from CMS that we included in our bid is no longer accurate. While CMS will true us up for the actual federal reinsurance payments our members utilize, they only do so six months after the end of a plan year. Therefore, we believe we will have a meaningful receivables balance with CMS that requires significant working capital funding. In addition, after our enrollment mix is finalized, we will approach CMS in early 2013 to see if they will adjust our Federal reinsurance rate to account for this mix shift, although Milliman has told us that CMS has been extremely reluctant to do so in recent years.

In addition to the above, our rebate contract with ESI specifies that our guaranteed rebate payments are made within 90-days after the end of a quarter. Thus, we also have working capital requirements related to our rebate receivables that we have to meet.

Based on our current plan, we believe that the peak receivables financing need in 2013 will be ~$24.9mm loan balance (assuming 75% LTV). We are currently in early discussions with Chase about obtaining a revolving credit facility secured by our rebate and CMS receivables. Obtaining such a facility would meaningfully reduce the amount of working capital that we have to equity fund. Given the receivables are guaranteed by high-quality counterparties, we are hoping to obtain competitive proposals from Chase (both LTV and interest rates).

We have run two separate projections using our revised based case enrollments assuming that we either (i) receive a working capital facility or (ii) equity fund the working capital need.

SmartD Meeting with Walgreens CEO

Earlier this week, Pritpal met with Walgreens CEO, Greg Wasson, and Walgreen's Head of Pharmacy, Kermit Crawford, to discuss the SmartD launch and how the relationship with Walgreens was working. After hearing Pritpal describe the launch, Greg expressed his disappointment that Walgreens' senior management has not been more supportive of "their" plan. Pritpal outlined the missteps and how he would address these issues going forward, and Greg told Pritpal that was unaware of these issues and will make sure that SmartD gets more support going forward.

Separate from this meeting, Jeff Kang recently asked if we would be open to "invest in growth", by sacrificing margins to get higher membership. We responded by telling him that if we thought any investment decisions made sense from a profit/growth perspective, we would be open to them, but that our general approach is "profitable growth". In evaluating these investment decisions for Reservoir, we will need to weigh the impact on current profitability against the future value of our put to Walgreens, which has a floor price based solely on number of members.

III. OTHER SIGNIFICANT DEVELOPMENTS SINCE PRIOR UPDATE MEMO

(Previous Discussed with Investment Committee)

Submission of Bid to CMS, Bid Acceptance, and Signing of CMS Contract

In June, we submitted our bid to CMS to offer Part D plans nationally in the U.S. The bid consisted of the price at which we were willing to provide Part D coverage in each of the 34 geographic regions (as well as supporting information describing our plan designs and actuarial data). Milliman helped put together our bid based on various input from Reservoir and Walgreens.

In August, CMS announced the low-income benchmarks in each of the 34 regions. Our bids were below the benchmark in 23 of the regions, meaning that in those 23 regions, we would be automatically assigned low-income members by CMS.

In September, after conducting a preliminary readiness audit of SmartD, CMS accepted our bids and entered into a contract with SmartD to provide Medicare Part D services for the 2013 plan year.

Finalized Reimbursement Rates with Walgreens and RxAlly

As part of our CMS bid, we provided estimated reimbursement rates that the SmartD plans would pay pharmacies, based on input from Walgreens and Milliman. Subsequent to the submission of the bid, we completed negotiations with Walgreens and RxAlly pharmacies on these reimbursement rates. The Walgreens reimbursement rates ended up roughly in line with our estimated bid rates but the RxAlly reimbursement rates were a little worse (for the plan) than our bid rates due to resistance from the independent pharmacies on the rates given their higher drug acquisition costs than Walgreens.

Updated Rebate Agreement with Express Scripts / Medco

As part of our CMS bid, we obtained estimates from Medco (which subsequently merged into Express Scripts) on the rebates we would receive per brand script through their rebate management contract with Benecard. Since our formulary was based primarily on Medco's Medicare formulary, which they already use in their Part D plans, we believed that Medco's estimate of rebates would be a reasonable assumption to use for our bid.

Subsequent to signing the contract with CMS, we discovered that Medco made a meaningful mistake in the rebate estimates they originally provided us, which if uncorrected, would have had significant negative impact on SmartD's profitability. The mistake was one that SmartD could not have caught (since we had written verification from Medco of their estimate, which we submitted to CMS as part of our bid substantiation) and, as a result, we went back to Medco management to ask them to fix the mistake.

After a month of negotiations and discussions, ESI entered into a new rebate management contract with Benecard on behalf of SmartD that substantially corrected the mistake made by Medco and also provides for attractive rebate guarantees for 2013.

Continued Hiring of Management and Operating Team

We have continued to build out the management and operational team at SmartD Rx over the past several months and there are currently 21 full time employees along with a handful of consultants working for the company.

The key area for new hires that we are focusing on now is in finance and accounting. We've brought on board a director of finance who is overseeing the implementation of SmartD's general ledger but we need to hire several additional members of the finance team in the next couple of months, particularly with expertise in statutory accounting.

IV. REVISED FINANCIAL PROJECTIONS

Current Base Case Key Assumptions

1. 2012/2013 Enrollments
   a. 35,000 members auto-assigned by CMS during AEP
   b. 30,000 members choosing SmartD during AEP
   c. 50,000 age-in members during first 9 months of 2013
   d. 115,000 total enrollments

2. Subsequent Year Enrollments
   a. 40,000 members auto-assigned by CMS during AEP
   b. 50,000 members choosing SmartD during AEP
   c. 60,000 age-in members during first 9 months of each year
   d. 150,000 total enrollments
   e. ~15% total annual lapse rate (both voluntary lapses & deaths)

3. Unit Economics
   a. Shown below, based on Milliman model from 9/25 reflecting revised rebates.
   b. Unit economics will vary versus estimates due to
      i. Once we finalize total membership by region for 2013 as different regions have different levels of profitability
      ii. Unit economics for future years will depend on our annual bid to CMS. In our base case, we've assumed unit economics (excluding expenses) are exactly the same as 2013.

4. Working Capital
   a. We have run two scenarios assuming that in 2013
      i. 75% of rebate and CMS receivables are financed through a third party facility at 6% interest rate
      ii. No financing of rebate and CMS receivables by a third party.
   b. Assumes that in 2014 and beyond, we correct the federal reinsurance working capital issue to reduce cash flow strain

Current Unit/Deal Economics

Under our revised base case, we are modeling the average unit economics for each member ($ per member per month) to be:

$ PMPM				Details
2013	**2014**	**2015**	**2015**	
91,538	**219,237**	**333,587**	**432,679**	**Average Monthly Members**
$ 91.91	**$ 91.29**	**$ 91.06**	**$ 90.96**	**Gross premiums per member per month ("PMPM") from both member & CMS**
($ 181.74)	($ 177.57)	($ 176.00)	($ 175.33)	Gross PDP Liability
$ 46.38	$ 45.47	$ 45.13	$ 44.99	Net DIR (Gross Rebates - ESI Share + Preferred Network Fee)
$ 57.84	$ 55.25	$ 54.27	$ 53.86	Federal Reinsurance
($ 77.53)	**($ 76.85)**	**($ 76.60)**	**($ 76.49)**	**Net drug claims cost**
$ 14.38	**$ 14.44**	**$ 14.46**	**$ 14.47**	**Gross Profit PMPM**
($ 0.70)	($ 0.62)	($ 0.51)	($ 0.33)	Commissions
($ 1.14)	($ 0.49)	($ 0.33)	($ 0.26)	Agent & TPA Expenses
($ 3.81)	($ 1.69)	($ 1.17)	($ 0.94)	Print & Marketing Expense
($ 7.08)	($ 7.25)	($ 7.43)	($ 7.61)	Direct Admin (excl. Uncollectible Premiums)
($ 0.24)	($ 0.27)	($ 0.28)	($ 0.28)	Uncollectible premium from members
($ 4.41)	($ 1.90)	($ 1.28)	($ 1.02)	UPLIC Salaries Excl. Bonus Pool
($ 0.45)	($ 0.19)	($ 0.12)	($ 0.10)	Bonus Pool
($ 1.54)	($ 0.64)	($ 0.42)	($ 0.33)	UPLIC Overhead Expense (Recurring)
($ 19.36)	**($ 13.04)**	**($ 11.55)**	**($ 10.87)**	**Total Admin Expense (excl. Medco Rebate Fee)**
($ 7.31)	*($ 7.52)*	*($ 7.71)*	*($ 7.90)*	*Variable Admin Expense*
($ 12.04)	*($ 5.52)*	*($ 3.84)*	*($ 2.97)*	*Fixed Admin Expense*
($ 4.98)	**$ 1.40**	**$ 2.91**	**$ 3.60**	**PDP Recurring EBIT**
84.4%	*84.2%*	*84.1%*	*84.1%*	*Gross drug claims cost ratio*
21.1%	*14.3%*	*12.7%*	*11.9%*	*Admin fees, commission and overhead as % of revenues*
(5.4%)	*1.5%*	*3.2%*	*4.0%*	*PDP Recurring EBIT margin*

The margins in 2014 and later improve meaningfully as overhead expenses are spread across more members.

Current Base Case Financial Projections – Assuming 75% Receivables Financing

1. Receivables Financing Assumption
   a. 75% of rebates receivable from ESI and amounts receivable from CMS are financed at 6% interest rate

2. Total estimated capital required:
   a. Through end of 2013 is $37.7mm to SmartD, 49% of that ($18.5mm) to Reservoir parties
   b. Through end of 2015 is $79.6mm to SmartD, 49% of that ($39.0mm) to Reservoir parties

Projected Income Statement

Income Statement	2012	2013	2014	2015	2016
Revenue from CMS	-	87,975,480	205,095,699	308,858,882	398,823,983
Revenue from Member Premiums	-	12,980,614	35,076,163	55,655,692	73,459,381
Allowance for Uncollectible Member Premiums	-	(259,612)	(701,523)	(1,113,114)	(1,469,188)
Total Net Revenues	-	**100,696,481**	**239,470,338**	**363,401,461**	**470,814,176**
Net Pharmacy Claims Costs (Net of Rebates)	-	(85,164,840)	(202,183,322)	(306,615,287)	(397,130,518)
Gross Profit	-	**15,531,641**	**37,287,017**	**56,786,174**	**73,683,658**
Commission Expense	-	(771,651)	(1,623,850)	(2,055,128)	(1,698,800)
Agent & TPA Expense	(1,213,200)	(1,249,200)	(1,287,666)	(1,325,270)	(1,356,240)
Print & Marketing Expense	(3,976,500)	(4,183,075)	(4,438,475)	(4,667,174)	(4,865,357)
Membership Admin Expense	-	(7,623,245)	(18,714,542)	(29,187,552)	(38,804,121)
Other Membership Expenses	-	(149,417)	(366,728)	(562,612)	(732,368)
Total Members & Claims Related Expenses	**(5,189,700)**	**(13,976,587)**	**(26,431,261)**	**(37,797,737)**	**(47,456,886)**
Salaries, Benefits & Bonus Pool	(1,939,616)	(5,336,000)	(5,481,230)	(5,630,817)	(5,819,181)
IT, Office, Outside Consultant Expense	(392,267)	(1,490,000)	(1,490,000)	(1,490,000)	(1,490,000)
Rent	(61,897)	(200,000)	(200,000)	(200,000)	(200,000)
Start-Up Expenses	(6,056,610)	(298,000)	-	-	-
Total Overhead Expense	**(8,450,391)**	**(7,324,000)**	**(7,171,230)**	**(7,320,817)**	**(7,509,181)**
EBIT	**(13,640,091)**	**(5,768,946)**	**3,684,526**	**11,667,620**	**18,717,591**
Investment Income	-	0	69,478	245,367	393,309
Interest Expense	-	(583,722)	(1,385,888)	(2,014,129)	(2,700,837)
Pre-Tax Profit	**(13,640,091)**	**(6,352,668)**	**2,368,116**	**9,898,857**	**16,410,063**
Tax Expense	4,774,032	2,223,434	(828,841)	(3,464,600)	(5,743,522)
Net Income	**(8,866,059)**	**(4,129,234)**	**1,539,276**	**6,434,257**	**10,666,541**
Margins					
Pharmacy Claims %	NM	84%	84%	84%	84%
Admin Expense %	NM	21%	14%	13%	12%
Total Expense % of Net Revenues	-	**106%**	**98%**	**97%**	**96%**
Pre-Tax Income Margin	NM	**(6%)**	**1%**	**3%**	**3%**
Return on Average Total Equity		**(28%)**	**5%**	**12%**	**14%**
Return on Average Required Equity		**(47%)**	**5%**	**13%**	**16%**

[75% Receivables Financing Case]

Projected Balance Sheet

Balance Sheet	2012	2013	2014	2015	2016
Cash	1,000,000	5,652,862	27,569,832	57,638,363	83,532,164
Net Premiums Receivable / (Unearned)	(161,304)	(104,946)	160,531	390,240	1,859,209
Rebates Receivable	-	10,913,650	25,608,389	38,661,715	49,977,816
Deferred Tax Assets	4,774,032	6,997,466	6,168,625	2,704,025	-
Total Assets	**5,612,727**	**23,459,031**	**59,507,378**	**99,394,343**	**135,369,190**
Unearned Revenue / (Receivable) from CMS	-	(20,965,353)	0	-	0
Receivables Facility	-	23,909,252	19,206,292	28,996,287	37,483,362
Total Liabilities	-	**2,943,899**	**19,206,292**	**28,996,287**	**37,483,362**
Required Equity Reserves	-	16,152,975	38,427,498	58,322,332	75,565,338
Shrholders Equity Above Required Reserves	5,612,727	4,362,157	1,873,588	12,075,725	22,320,490
Total Shareholders Equity	**5,612,727**	**20,515,132**	**40,301,086**	**70,398,057**	**97,885,828**
Total Liabilities & Equity	**5,612,727**	**23,459,031**	**59,507,378**	**99,394,343**	**135,369,190**
Cumulative Paid In Capital	14,478,787	33,510,425	51,757,104	75,419,817	92,241,047
Cumulative Retained Earnings	**(8,866,059)**	**(12,995,293)**	**(11,456,018)**	**(5,021,761)**	**5,644,781**

Projected Cash Flow Statement

Cash Flow Statement	2012	2013	2014	2015	2016
Net Income	(8,866,059)	(4,129,234)	1,539,276	6,434,257	10,666,541
Changes in Assets & Liabilities					
Net Premiums Receivable	161,304	(56,359)	(265,477)	(229,709)	(1,468,970)
Rebates Receivable	-	(10,913,650)	(14,694,739)	(13,053,326)	(11,316,101)
Deferred Tax Assets	(4,774,032)	(2,223,434)	828,841	3,464,600	2,704,025
Unearned Revenue from CMS	-	(20,965,353)	20,965,353	(0)	0
Net Change in Assets & Liabilities	(4,612,727)	(34,158,796)	6,833,978	(9,818,434)	(10,081,046)
Cash Flow from Operations	**(13,478,787)**	**(38,288,030)**	**8,373,253**	**(3,384,177)**	**585,496**
Increase in / (Repayment of) Debt	-	23,909,252	(4,702,960)	9,789,994	8,487,076
Funding of / (Distribution to) Equity	14,478,787	19,031,639	18,246,678	23,662,714	16,821,230
Cash Flow from Financing Activities	**14,478,787**	**42,940,891**	**13,543,718**	**33,452,708**	**25,308,306**
Net Cash Flow	**1,000,000**	**4,652,862**	**21,916,971**	**30,068,531**	**25,893,801**

Projected Membership

Members	2012	2013	2014	2015	2016
Ending Basic Auto-Assign LIS Members	35,000	106,025	167,574	220,909	267,128
Ending Basic Non-LIS Members	22,777	64,941	108,687	146,519	179,228
Ending Enhanced Members	3,750	10,700	17,920	24,173	29,589
Ending Total Members	**65,000**	**190,946**	**309,011**	**411,322**	**499,981**
New Auto-Assigns	35,000	80,000	80,000	80,000	80,000
New Choosers	30,000	60,000	70,000	70,000	70,000
Total Gross New Members	**65,000**	**140,000**	**150,000**	**150,000**	**150,000**
Deaths / Disenrollments	-	(14,054)	(31,935)	(47,689)	(61,341)
Total Net New Members	**65,000**	**125,947**	**118,065**	**102,311**	**88,659**

[75% Receivables Financing Case]

Projected Equity Returns to Reservoir

Projected Equity Cash Flows	2012	2013	2014	2015	2016	2017
SmartD Only Equity Cash Flows	(14,478,787)	(19,031,639)	(18,246,678)	(23,662,714)	(16,821,230)	
Purchase Price for SIC (excl. Capital & Suprlus) & !	-	(4,186,000)	-	-	-	
2016 PUT						
2016 Put Value Capital Adjustment Amount	-	-	-	-	60,963,668	
2016 Put Value @ $150/Member	-	-	-	-	61,698,371	
Total 2016 Put Equity CF @ $150/Member	(14,478,787)	(23,217,639)	(18,246,678)	(23,662,714)	105,840,809	
Total Invested (100%)	(79,605,817)					
49% Reservoir/BD/AmeriLife Share	**(7,094,605)**	**(11,376,643)**	**(8,940,872)**	**(11,594,730)**	**51,861,996**	
IRR	**19.9%**					
$ Invested (49% Reservoir Share)	**(39,006,850)**					
$ Profits (49% Reservoir Share)	**21,097,549**					
MOIC	**1.5x**					
2017 PUT						
2017 Put Value Capital Adjustment Amount	-	-	-	-	-	85,577,605
2017 Put Value @ $150/Member	-	-	-	-	-	74,997,147
Total 2017 Put Equity CF @ $150/Member	(14,478,787)	(23,217,639)	(18,246,678)	(23,662,714)	(16,821,230)	160,574,752
Total Invested (100%)	(96,427,047)					
49% Reservoir/BD/AmeriLife Share	**(7,094,605)**	**(11,376,643)**	**(8,940,872)**	**(11,594,730)**	**(8,242,403)**	**78,681,629**
IRR	**18.3%**					
$ Invested (49% Reservoir Share)	**(47,249,253)**					
$ Profits (49% Reservoir Share)	**31,432,376**					
MOIC	**1.7x**					

The above returns assume that Reservoir exercises its Put option to Walgreens during the put exercise dates either in Q1 2016 or Q1 2017 and that we exit at a value of $150/life plus capital adjustment.

Note that the put option with Walgreens is at the greater of $150/life or 7x EBIT. Using our base case projections, 7x EBIT would produce meaningfully higher returns than $150/life. However since Part D profitability is determined in large part by (i) the annual bid with CMS and (ii) the overall competitive environment, we did not want to rely on the projected EBIT for base case returns.

Sensitivities to Enrollments

				2016 Put @ $150/Life	
New Non-AEP 2014+	AEP Duals 2014+	AEP Choosers 2014+	Total Jan 2016 Members	IRR (@75% Rec'v Financing)	MOIC
60,000	40,000	25,000	345,885	15.8%	1.4x
60,000	40,000	50,000	411,322	19.9%	1.5x
60,000	40,000	75,000	476,759	23.4%	1.6x
60,000	40,000	100,000	542,196	26.5%	1.7x
60,000	40,000	125,000	607,635	29.3%	1.8x
60,000	40,000	150,000	673,072	31.8%	1.9x
60,000	40,000	200,000	803,947	36.1%	2.0x

The above show the sensitivity of returns to the number of choosers that enroll during AEP each year.

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Current Base Case Financial Projections – Assuming NO Receivables Financing

1. Receivables Financing Assumption
    a. No receivables financing facility available. All working capital needs funded using equity

2. Total estimated capital required:
    a. Through end of 2013 is $62.5mm to SmartD, 49% of that ($30.6mm) to Reservoir parties
    b. Through end of 2015 is $77.8mm to SmartD, 49% of that ($38.1mm) to Reservoir parties

Projected Income Statement

Income Statement	2012	2013	2014	2015	2016
Revenue from CMS	-	87,975,480	205,095,699	308,858,882	398,823,983
Revenue from Member Premiums	-	12,980,614	35,076,163	55,655,692	73,459,381
Allowance for Uncollectible Member Premiums	-	(259,612)	(701,523)	(1,113,114)	(1,469,188)
Total Net Revenues	-	**100,696,481**	**239,470,338**	**363,401,461**	**470,814,176**
Net Pharmacy Claims Costs (Net of Rebates)	-	(85,164,840)	(202,183,322)	(306,615,287)	(397,130,518)
Gross Profit	-	**15,531,641**	**37,287,017**	**56,786,174**	**73,683,658**
Commission Expense	-	(771,651)	(1,623,850)	(2,055,128)	(1,698,800)
Agent & TPA Expense	(1,213,200)	(1,249,200)	(1,287,666)	(1,325,270)	(1,356,240)
Print & Marketing Expense	(3,976,500)	(4,183,075)	(4,438,475)	(4,667,174)	(4,865,357)
Membership Admin Expense	-	(7,623,245)	(18,714,542)	(29,187,552)	(38,804,121)
Other Membership Expenses	-	(149,417)	(366,728)	(562,612)	(732,368)
Total Members & Claims Related Expenses	**(5,189,700)**	**(13,976,587)**	**(26,431,261)**	**(37,797,737)**	**(47,456,886)**
Salaries, Benefits & Bonus Pool	(1,939,616)	(5,336,000)	(5,481,230)	(5,630,817)	(5,819,181)
IT, Office, Outside Consultant Expense	(392,267)	(1,490,000)	(1,490,000)	(1,490,000)	(1,490,000)
Rent	(61,897)	(200,000)	(200,000)	(200,000)	(200,000)
Start-Up Expenses	(6,056,610)	(298,000)	-	-	-
Total Overhead Expense	**(8,450,391)**	**(7,324,000)**	**(7,171,230)**	**(7,320,817)**	**(7,509,181)**
EBIT	**(13,640,091)**	**(5,768,946)**	**3,684,526**	**11,667,620**	**18,717,591**
Investment Income	-	2,640	66,735	109,332	178,051
Interest Expense	-	-	-	-	-
Pre-Tax Profit	**(13,640,091)**	**(5,766,306)**	**3,751,261**	**11,776,952**	**18,895,643**
Tax Expense	4,774,032	2,018,207	(1,312,941)	(4,121,933)	(6,613,475)
Net Income	**(8,866,059)**	**(3,748,099)**	**2,438,319**	**7,655,019**	**12,282,168**
Margins					
Pharmacy Claims %	NM	84%	84%	84%	84%
Admin Expense %	NM	21%	14%	13%	12%
Total Expense % of Net Revenues	-	**106%**	**98%**	**97%**	**96%**
Pre-Tax Income Margin	**NM**	**(6%)**	**2%**	**3%**	**4%**
Return on Average Total Equity		**(14%)**	**5%**	**14%**	**16%**
Return on Average Required Equity		**(43%)**	**9%**	**16%**	**18%**

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[NO Receivables Financing Case]

Projected Balance Sheet

Balance Sheet	2012	2013	2014	2015	2016
Cash	1,000,000	7,183,496	31,265,179	30,638,949	47,070,982
Net Premiums Receivable / (Unearned)	(161,304)	(104,946)	160,531	390,240	1,859,209
Rebates Receivable	-	10,913,650	25,608,389	38,661,715	49,977,816
Deferred Tax Assets	4,774,032	6,792,239	5,479,298	1,357,365	-
Total Assets	**5,612,727**	**24,784,439**	**62,513,397**	**71,048,269**	**98,908,008**
Unearned Revenue / (Receivable) from CMS	-	(20,965,353)	0	-	0
Receivables Facility	-	-	-	-	-
Total Liabilities	**-**	**(20,965,353)**	**0**	**-**	**0**
Required Equity Reserves	-	16,152,975	38,427,498	58,322,332	75,565,338
Shrholders Equity Above Required Reserves	5,612,727	29,596,818	24,085,899	12,725,937	23,342,670
Total Shareholders Equity	**5,612,727**	**45,749,792**	**62,513,397**	**71,048,269**	**98,908,008**
Total Liabilities & Equity	**5,612,727**	**24,784,439**	**62,513,397**	**71,048,269**	**98,908,008**
Cumulative Paid In Capital	14,478,787	58,363,951	72,689,236	73,569,089	89,146,661
Cumulative Retained Earnings	**(8,866,059)**	**(12,614,158)**	**(10,175,839)**	**(2,520,820)**	**9,761,347**

Projected Cash Flow Statement

Cash Flow Statement	2012	2013	2014	2015	2016
Net Income	**(8,866,059)**	**(3,748,099)**	**2,438,319**	**7,655,019**	**12,282,168**
Changes in Assets & Liabilities					
Net Premiums Receivable	161,304	(56,359)	(265,477)	(229,709)	(1,468,970)
Rebates Receivable	-	(10,913,650)	(14,694,739)	(13,053,326)	(11,316,101)
Deferred Tax Assets	(4,774,032)	(2,018,207)	1,312,941	4,121,933	1,357,365
Unearned Revenue from CMS	-	(20,965,353)	20,965,353	(0)	0
Net Change in Assets & Liabilities	(4,612,727)	(33,953,569)	7,318,078	(9,161,101)	(11,427,706)
Cash Flow from Operations	**(13,478,787)**	**(37,701,668)**	**9,756,398**	**(1,506,083)**	**854,462**
Increase in / (Repayment of) Debt	-	-	-	-	-
Funding of / (Distribution to) Equity	14,478,787	43,885,164	14,325,285	879,854	15,577,571
Cash Flow from Financing Activities	14,478,787	43,885,164	14,325,285	879,854	15,577,571
Net Cash Flow	1,000,000	6,183,496	24,081,682	(626,229)	16,432,033

Projected Membership

Members	2012	2013	2014	2015	2016
Ending Basic Auto-Assign LIS Members	35,000	106,025	167,574	220,909	267,128
Ending Basic Non-LIS Members	22,777	64,941	108,687	146,519	179,228
Ending Enhanced Members	3,750	10,700	17,920	24,173	29,589
Ending Total Members	**65,000**	**190,946**	**309,011**	**411,322**	**499,981**
New Auto-Assigns	35,000	80,000	80,000	80,000	80,000
New Choosers	30,000	60,000	70,000	70,000	70,000
Total Gross New Members	**65,000**	**140,000**	**150,000**	**150,000**	**150,000**
Deaths / Disenrollments	-	(14,054)	(31,935)	(47,689)	(61,341)
Total Net New Members	**65,000**	**125,947**	**118,065**	**102,311**	**88,659**

[NO Receivables Financing Case]

Projected Equity Returns to Reservoir

Projected Equity Cash Flows	2012	2013	2014	2015	2016	2017
SmartD Only Equity Cash Flows	(14,478,787)	(43,885,164)	(14,325,285)	(879,854)	(15,577,571)	
Purchase Price for SIC (excl. Capital & Suprlus) & !	-	(4,186,000)	-	-	-	
2016 PUT						
2016 Put Value Capital Adjustment Amount	-	-	-	-	61,613,880	
2016 Put Value @ $150/Member	-	-	-	-	61,698,371	
Total 2016 Put Equity CF @ $150/Member	(14,478,787)	(48,071,164)	(14,325,285)	(879,854)	107,734,680	
Total Invested (100%)	(77,755,089)					
49% Reservoir/BD/AmeriLife Share	**(7,094,605)**	**(23,554,870)**	**(7,019,390)**	**(431,128)**	**52,789,993**	
IRR	**17.7%**					
$ Invested (49% Reservoir Share)	**(38,099,994)**					
$ Profits (49% Reservoir Share)	**22,323,009**					
MOIC	**1.6x**					
2017 PUT						
2017 Put Value Capital Adjustment Amount	-	-	-	-	-	86,599,785
2017 Put Value @ $150/Member	-	-	-	-	-	74,997,147
Total 2017 Put Equity CF @ $150/Member	(14,478,787)	(48,071,164)	(14,325,285)	(879,854)	(15,577,571)	161,596,932
Total Invested (100%)	(93,332,661)					
49% Reservoir/BD/AmeriLife Share	**(7,094,605)**	**(23,554,870)**	**(7,019,390)**	**(431,128)**	**(7,633,010)**	**79,182,497**
IRR	**17.3%**					
$ Invested (49% Reservoir Share)	**(45,733,004)**					
$ Profits (49% Reservoir Share)	**33,449,493**					
MOIC	**1.7x**					

The above returns assume that Reservoir exercises its Put option to Walgreens during the put exercise dates either in Q1 2016 or Q1 2017 and that we exit at a value of $150/life plus capital adjustment.

Note that the put option with Walgreens is at the greater of $150/life or 7x EBIT. Using our base case projections, 7x EBIT would produce meaningfully higher returns than $150/life. However since Part D profitability is determined in large part by (i) the annual bid with CMS and (ii) the overall competitive environment, we did not want to rely on the projected EBIT for base case returns.

Sensitivities to Enrollments

				2016 Put @ $150/Life	
New Non-AEP 2014+	AEP Duals 2014+	AEP Choosers 2014+	Total Jan 2016 Members	IRR (@0% Rec'v Financing)	MOIC
60,000	40,000	25,000	345,885	13.9%	1.5x
60,000	40,000	50,000	411,322	17.7%	1.6x
60,000	40,000	75,000	476,759	20.9%	1.7x
60,000	40,000	100,000	542,196	23.8%	1.8x
60,000	40,000	125,000	607,635	26.4%	1.8x
60,000	40,000	150,000	673,072	28.7%	1.9x
60,000	40,000	200,000	803,947	32.9%	2.0x

The above show the sensitivity of returns to the number of choosers that enroll during AEP each year.

V. 2013 CAPITAL REQUIREMENTS

Return Sensitivities and Capital Required through YE 2013 and YE 2015

The following show the different returns and total equity funding required for SmartD through the end of 2015 as we vary our assumptions on (i) the amount of our receivables we can finance and (ii) the number of choosers during AEP in all future years. In addition, it also shows the total amount of equity needed through just the end of 2013.

Return Sensitivities to Receivables Financing %

AEP Choosers	2016 Put @ $150/Life				
	% Receivables Financed (Rebates + CMS)				
2014+	-	25.0%	50.0%	75.0%	80.0%
25,000	13.9%	14.7%	15.3%	15.8%	15.8%
50,000	17.7%	18.5%	19.3%	19.9%	19.9%
75,000	20.9%	21.9%	22.9%	23.4%	23.4%
100,000	23.8%	25.0%	26.1%	26.5%	26.6%
125,000	26.4%	27.7%	28.9%	29.3%	29.4%
150,000	28.7%	30.2%	31.4%	31.8%	31.8%
200,000	32.9%	34.7%	35.7%	36.1%	36.2%

Capital Req'd Sensitivities to Financing %

AEP Choosers	Total Equity Required Through Dec 2015 (@100%)				
	% Receivables Financed (Rebates + CMS)				
2014+	-	25.0%	50.0%	75.0%	80.0%
25,000	(74.5)	(72.5)	(73.1)	(73.7)	(73.8)
50,000	(77.8)	(78.4)	(79.0)	(79.6)	(79.7)
75,000	(83.6)	(84.3)	(84.9)	(85.6)	(85.7)
100,000	(89.4)	(90.1)	(90.8)	(91.5)	(91.6)
125,000	(95.3)	(96.0)	(96.8)	(97.5)	(97.6)
150,000	(101.1)	(101.9)	(102.7)	(103.4)	(103.6)
200,000	(112.8)	(113.7)	(114.5)	(115.3)	(115.5)
Equity thru 12/2013	(62.5)	(54.3)	(46.0)	(37.7)	(36.0)

(Above equity required is 100% to SmartD, Reservoir parties would be 49% of this)

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The above sensitivities show that for 2013, the amount of receivable financing that we can obtain has a significant impact on the amount of equity capital that we need to fund. See below for breakdown equity capital required through the end of 2013 assuming we can fund receivables at 75% LTV or assuming we equity fund all working capital needs.

Capital Funding thru Dec 2013	Total SmartD	Reservoir Only	Reservor Lookthru	Reservor & Affiliates
Capital Funded To-Date	(7.0)	(2.5)	(3.2)	(3.4)
Addn'l Startup Cost thru Dec 2012	(7.5)	(2.7)	(3.4)	(3.7)
Purchase of SIC from Prosperity	(8.3)	(3.0)	(3.8)	(4.1)
Subtotal	**(22.8)**	**(8.1)**	**(10.3)**	**(11.2)**
Capital Req'd for 2013 Business	(14.9)	(5.3)	(6.7)	(7.3)
Subtotal	**(37.7)**	**(13.4)**	**(17.0)**	**(18.5)**
Working Capital Req'd If No Financing	(24.9)	(8.9)	(11.2)	(12.2)
Total	**(62.5)**	**(22.3)**	**(28.2)**	**(30.6)**

Note that, the amount of receivable financing has low impact on the amount of total capital that needs to be funded through 2015. This is because we assume that (i) any excess capital funded in 2013 will be used up as membership grows in future years and (ii) in future CMS bids, we will be able to provide a more accurate estimate of federal reinsurance working capital needs given operating experience and thus avoid a repeat of the cash flow strain that we will experience in 2013.

VI. DESCRIPTION OF TRANSACTION DOCUMENTS

The legal documents detailing the Reservoir/Walgreens Part D transaction have been finalized. The following will occur upon the closing of the transactions covered by the legal documents:

a) Sale of SIC from Prosperity LLC to the new JV Entity for $8.3mm
b) Entry of Walgreens and Reservoir parties into a JV agreement that govern how the Part D JV will operate. Such agreement describes board composition, capital contribution requirements, put right and forced exit rights for Reservoir, among other things
c) Commitment of Reservoir and Walgreens parties to fund
   a. The 2012 Budget ($13mm expenses, $8.3mm SIC purchase price, up to $51mm of capital to support 2013 statutory requirements). The actual capital will likely be spread over the first months of 2013 and the amount will depend on our actual membership
   b. Certain other capital calls if SIC is hitting plan or if required by law

Below is a summary of the transaction documents and their key terms (documents are also attached as Appendix C).

1) Description of Structure (see attached Appendix A)

   a. JV Entities
      i. JV Entity is 51% owned by Walgreens HoldCo and 49% by Reservoir HoldCo
      ii. Walgreens HoldCo is owned by Walgreens and RxAlly
      iii. Reservoir HoldCo is owned by Reservoir (72.7%), AmeriLife (20%), and Black Diamond (7.3%)
      iv. Reservoir invests in the JV through its Part D side pocket.

   b. Prosperity Entities
      i. Smart Insurance Company (SIC), f/k/a UPLIC, is the insurance company sponsoring the SmartD Rx prescription drug plans
      ii. SIC is currently 100% owned (indirectly) by Prosperity LLC, which also owns Shenandoah and will own SBLI
      iii. Prosperity LLC is owned by Reservoir (80%) and Black Diamond (20%)
      iv. Reservoir invests in the Prosperity Entities (including SIC) through its Prosperity side pockets

2) Equityholders Agreement and LLC Agreement of the new JV

   a. Ownership – 51% Walgreens HoldCo, 49% Reservoir HoldCo

   b. Governance – 6 person board (4 Walgreens designees, 2 Reservoir designees) for HoldCo. The 4 Walgreens designees will be 2 Walgreens officers and 2 RxAlly directors. CEO will be 7th board member for all subsidiaries of HoldCo

   c. Major Actions – Board governs actions of company except that Major Actions need to be approved by both Walgreens and Reservoir. These include approving capital calls (other than the automatic ones described below), approving budgets, making any CMS

or other regulatory filings (including annual bids), hiring or firing officers, incurring debt, etc.

d. Capital Calls and Commitments – All capital calls are Major Actions and require Reservoir approval, except the following:
   i. *Funding of 2012 Approved Budget (See Attached Appendix B)*. This budget includes all start-up expenses for 2012 ($13mm, of which $7mm have been called), purchase price for SIC ($8.3mm), and capital & surplus needed to support 2013 business (up to $51mm). We don't expect the entire amount of capital & surplus to be called before year end, but wanted to ensure that Walgreens was obligated to fund this amount for 2013 if we need it. The capital & surplus will likely be funded during the first 4-6 months of 2013 and the amount needed will be dependent on our final membership count.
   ii. *Funding Required Regulatory Capital*. If SIC needs capital to meet regulatory requirements under applicable law, the members are obligated to fund capital (so long as total Required Regulatory Capital Calls do not exceed $50mm). For any Required Regulatory Capital Calls in excess of $50mm, if one member doesn't fund pro-rata, the other member can fund non-pro-rata and such funding will be treated as a loan at 9% with 100% FCF sweep.
   iii. *Funding of Capital & Surplus up to 400% ACL If we are on plan*. If SIC (A) is on plan to hit at least $7.7mm of EBIT in 2013, $29.3mm of EBIT in 2014, and $46.2mm of EBIT in 2015/2016 and (B) cannot find any cheaper source of financing, any member can call capital to bring SIC up to 400% ACL. Note that given our current base case, we do not anticipate hitting the above EBIT figures and triggering this funding requirement (and if we did, we would probably be OK with such funding).
   iv. *No member required to fund capital above its capital commitment*. For the Reservoir HoldCo, it would be our share of $125mm (or $61.25mm). *Note that based on Reservoir's current side-pocket size for Part D, Reservoir HoldCo would only be able to fund up to $55mm.*

e. Put Rights in 2016/2017 – At the beginning of 2016 and 2017, Reservoir has the option to put its interest in the JV to the Walgreens HoldCo at a value for the company equal (i) to the greater of $150 per member or 7x EBIT for prior calendar year plus (ii) excess capital in the JV above 100% ACL. The obligation of the Walgreens HoldCo under the Put Right is guaranteed by Walgreens.

f. Forced Exit in 2022 – At any time after year 9, Reservoir has the right to force an exit of the JV by hiring investment banks to sell or IPO the JV.
   i. Reservoir must give notice of this intent to Walgreens and Walgreens has the right to call Reservoir's stake at FMV. This FMV is determined by getting an investment bank to appraise the company (subject to check mechanisms).
   ii. However, in any Forced Exit or Call described above, Reservoir's proceeds will be diluted by 18% (i.e., from 49% ownership to ~40%).

g. Other Transfers – subject to ROFOs, tag-along rights, and prohibits transfers to competitors

h. Exclusivity – Reservoir, Black Diamond, AmeriLife, Walgreens, and RxAlly agree that this JV is the exclusive entity for participation in Part D. Carve outs are for acquisition of minority stakes (<=25%) in companies that operate Part D. Each party can also acquire a Part D business so long as within 12 months, it contributes all of the Part D lives to the JV (at a price to be mutually agreed prior to any such acquisitions)

3) **Stock Purchase Agreement governing sale of SIC by Prosperity LLC to the JV Entity**

a. Purchase price - $8.3mm corresponding to (i) Capital & Surplus at 6/30/12 ($4.1mm at SIC + $0.3mm cash at HoldCo) plus (ii) SIC licenses valued at $3.9mm, which is $75K/jurisdiction that SIC is licensed to write Part D next year

b. This transaction will involve a sale of an entity held by one side-pocket to another. However, the price is an arms-length negotiated price that Walgreens (as the 51% JV partner) agreed to.

c. Purchase Agreement has customary terms including reps, covenants, and conditions, as well as an indemnity from Prosperity LLC capped at the purchase price.

4) **Interim Funding Agreement between SIC and the JV**

a. There will likely be 2-3+ months between the signing and closing of the sale of SIC due to regulatory approvals required.

b. The funding agreement ensures that there's a mechanism requiring the JV to fund capital during this interim period and determines what happens in the unlikely event that the sale of SIC does not close.

c. Funding Commitment – Between signing and closing, the JV agrees to fund capital to SIC for any capital or expense under the 2012 Approved Budget, required by law, or as the JV determines is desirable.

d. As part of the EHA, each party to the EHA (Walgreens, RxAlly, Reservoir, BD, AmeriLife) agree to take all reasonable steps to ensure that the sale of SIC to the JV closes.

e. If the sale of SIC does not close:
   i. Due to Walgreens not taking reasonable steps to close – Walgreens forfeits all amounts funded under the funding agreement (and our original LOI)
   ii. Due to breaches of SIC's reps and warranties in the SPA that can't be cured – SIC must immediately repay to JV all amounts funded for capital (but not for expenses)
   iii. Due to some other reason (i.e., inability to get regulatory approval despite taking all reasonable steps) – all amounts funded for capital (but not for expenses) shall turn into a loan accruing interest at 9% with 7-year maturity. After 3 years, SIC must use capital in excess of 400% ACL to repay the loan. SIC cannot pay any dividends to equityholders unless this loan has been repaid.

f. We believe that the likelihood that AZ regulators disapprove this deal is extremely low.

g. Note that Walgreens is directly on the hook for taking reasonable efforts to ensure the SIC transaction closes and we can sue them for breach if they do not. However, the obligation of JV capital calls are not guaranteed by either Walgreens or the Reservoir funds. In theory, Walgreens could choose not to fund and bankrupt their JV HoldCo, but we believe this risk is low due to the publicity it involves. Thus, we preferred this versus having the Reservoir funds guarantee our capital call obligations as well.

<u>We are requesting approval from the Investment Committee to:</u>

(1) Enter into transaction documents described above among the Reservoir parties and the Walgreens parties to definitively create the JV structure.

(2) Commit to funding capital to the JV pursuant to the above description, including funding the Reservoir parties' 49% share of up to $62.5mm through year-end 2013 and up to ~$80mm through year-end 2015.

i. We will discuss with the Investment Committee prior to making any major investment decisions related to the SmartD investment.